

Internal Revenue Service
Director, Exempt Organizations

Department of the Treasury
P.O. Box 2508 - EP/EO
Cincinnati, OH 45201

Date: JUL 26 2001

Employer Identification Number:
[REDACTED]

Person to Contact - I.D. Number
[REDACTED]

Contact Telephone Numbers:
[REDACTED] Phone
[REDACTED] FAX

Dear Sir or Madam:

We have considered your application for recognition of income tax under the provisions of section 501(c) Code of 1986 and its applicable Income Tax Regulations. Available information, we have determined that your reasons set forth on Enclosure I.

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Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code. However, we have concluded that you do not qualify under another subsection.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a Trust, or Form 1120 if you are a corporation or an unincorporated association. Contributions to you are not deductible under section 170 of the Code.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 392, "Exempt Organizations: Appeal Procedures for Unagreed Issues." The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

[REDACTED]

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides, in part, that:

A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within the time specified, this will become our final determination. In that event, appropriate State officials will be notified of this action in accordance with the provisions of section 6104(c) of the Code.

Sincerely,

Steven J. Miller

Director, Exempt Organizations

Enclosures: 3

ENCLOSURE I

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The association does not have an organizing document such as Articles of Incorporation, Articles of Association, or a Constitution. It also does not have bylaws.

The organization is an association of [REDACTED] located in [REDACTED] and [REDACTED]. Its purpose is to provide [REDACTED] a forum to discuss issues concerning [REDACTED] and their relationship to the [REDACTED]. It meets regularly and has one annual convention/meeting to reacquaint members and provide updated information from peers, suppliers and vendors.

The associations sources of financial income include membership dues, proceeds from the conference, and voluntary contributions. Membership is available to any person or firm actively engaged in the [REDACTED] and [REDACTED].

The expenses include convention mailings and expenses.

Your correspondence dated [REDACTED] states that you feel the association qualifies because no part of the net earnings inures to the benefit of any individual and the organization is not carried on for profit. The correspondence also states the following:

- your goal includes keeping members abreast of legislative changes, provide education, assist with problem solving, and provide product awareness;
- you do not have Articles of Association, a Constitution, or other creating document, and would be willing to adopt if necessary;
- you currently have [REDACTED] members;
- the annual dues is \$ [REDACTED] per location;
- your convention/meetings are held once annually, and the second one was held in 2001;
- [REDACTED] salt vendors, [REDACTED], and suppliers set up at the convention/meetings.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, boards of trade, professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league."

Revenue Ruling 58-294, 1958-1 C.B. 244, concerns an organization formed to promote the business interests of those involved in the manufacture and sale of a particular patented product. Its membership is limited to those engaged in the manufacture and sale of the product, and it owns the controlling interest in the corporation which holds the basic patents in the product. The organization does not qualify for exemption as a business league under Internal Revenue Code section 501(c)(6) since it is engaged in furthering the business interests of the dealers of a particular product as distinguished from improving business conditions generally.

Revenue Ruling 67-77, 1967-1 C.B. 138, involves an organization composed of dealers in a certain make of automobile in a designated area and which finances general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile. Instead of engaging in activities for the improvement of business conditions in the automotive industry as a whole, the organization is performing services for its members by advertising the make of automobile sold by its members. Therefore the organization is not entitled to exemption from

[REDACTED]

Federal income tax as a business league under section 501(c)(6) of the Code.

Revenue Ruling 68-182, 1968-1 C.B. 263, concerns an association whose members are engaged in the bottling and sale of a single franchised soft-drink product, and whose purposes and activities were directed to the more efficient production and sale of that product. It is the Service's position that the association does not qualify for exemption under section 501(c)(6) since it promotes a single brand or product within a line of business.

According to the Revenue Ruling 74-147, 1974-1 C.B. 136, a nonprofit organization, whose members represent diversified businesses that own, rent, or lease digital computers produced by various manufacturers, organized to improve the efficiency of its members' use of computers, qualifies for exemption under section 501(c)(6) of the Code.

Revenue Ruling 83-164, 1983-2 C.B. 95 found that an organization whose members represent diversified businesses that own, rent, or lease computers produced by a single computer manufacturer does not qualify for exemption from Federal income tax as a business league under section 501(c)(6) of the Code.

The [REDACTED] are a segment of the [REDACTED]. Since your association represents only [REDACTED], it represents a segment of the [REDACTED] of business.

Your association is similar to the organizations described in the revenue rulings 58-294, 67-77, 68-182, and 83-164 since you represent a single brand or product within the [REDACTED] line of business.

Your association is not similar to the organization described in the revenue ruling 74-147 because you do not represent the entire line of [REDACTED].

Accordingly, it is held that you are not entitled to exemption from Federal income tax under section 501(c)(6) of the Code. You are required to file Federal income tax returns on Form 1120.

Form 6018
(Rev. Aug. 1983)

Department of the Treasury - Internal Revenue Service
Consent to Proposed Adverse Action
(All references are to the Internal Revenue Code)

Case Number

Date of Latest Determination Letter

Employer Identification Number

Date of Proposed Adverse Action Letter

JUL 26 2001

Name and Address of Organization

I consent to the proposed adverse action relative to the above organization as shown below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

NATURE OF ADVERSE ACTION

☒ Denial of exemption under section 501(c)(6).

☐ Revocation of exemption, effective.

☐ Modification of exemption from section 501(c)() to section 501(), effective

☐ Classification as a private foundation described in section 509(a), effective ****

☐ Classification as an private operating foundation described in sections 509(a) and 4942(j)(3), effective for

☐ Classification as an organization described in section 509(a)(), effective

☐ Classification as an organization described in section 170(b)(1)(A)(), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428.

(Signature instructions on Back)

Name of Organization:

Signature and Title

Date

Signature and Title

Date